



City of Bellevue

MEMORANDUM

Phone: 452-6846
Date: June 2, 2014
To: Mayor Balducci and City Council Members
From: Jan Hawn, Finance Director
Subject: 2014 First Quarter Budget Monitoring Report

Attached is the 2014 First Quarter Budget Monitoring Report for the period ending March 31, 2014. This report presents the General, General CIP, Development Services, Utilities Operating and Utilities CIP Funds.

Key items – 2014 First Quarter:

Economic conditions appear to be improving. Specific points regarding the 2014 revenue and expenditure projections are:

- Early year-end expenditure projections are tracking slightly over revenues within a 1/10th of a percent (0.01%) differential. The Budget Office expects each department to be 1% under budget at year-end.
- Utility CIP Expenditures are expected to be under budget by about \$19.0 million due primarily to delays to accommodate coordination with other projects, to re-scope projects to attract more favorable bid pricing, and variance between projection and budget will be carried forward to 2015.

Please feel free to contact Toni Rezab at 452-7863 or me at 452-6846 with any questions you may have.

Sincerely,

Jan Hawn, Finance Director

Attachment

2014 First Quarter Budget Monitoring Report

Cc: Brad Miyake
Leadership Team



BUDGET MONITORING REPORT

For the period from January 1 through March 31, 2014

Economic Performance

This report presents revenues and expenditures for the General Fund, General Capital Investment Program Fund, Development Services Fund and the Utilities Operating Funds.

The purpose of the report is to compare actual expenditures and revenues and year-end projections to the 2014 adopted budget, to discuss reasons for variance and to convey the local and national economic outlook.

Early year-end projected General Fund expenditures are tracking slightly over revenues. The year end estimates include both a .6% (\$1 million) over-collection of revenues assumption and a 1% (\$1.7 million) under-expenditure assumption. These assumptions are included in the adopted budget and historically have been met and will be reevaluated in the 2nd quarter report. The Budget Office is watching expenditures and revenues closely as the economy recovers.

Bellevue Economy

Bellevue continues to maintain one of the lowest vacancy rates in the country and finding office space in the area is becoming increasingly difficult for businesses seeking Class A office space. The Bellevue Central Business District is experiencing a vacancy rate of 9.8% in the first quarter and the Eastside vacancy rate at 12% (Cushman & Wakefield Bellevue Q1 2014).

Several commercial and residential projects are in review in the remaining quarters of the year. Several projects are under construction, Marriott Hotel, SOMA Towers Phase 1, and Bellevue at Main.

Performance at a Glance

Pg. 2 General Fund Revenue Projection vs Expenditure Projection

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Pg. 3 General Fund Revenue Projection as Compared to Budget

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Pg. 4 General CIP Revenue Projection vs. Expenditure Projection

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Pg. 5 Development Services Revenue Projection vs Expenditure Projection

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Pg. 6 Utilities Operating Funds Revenue Projection vs Expenditure Projection

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Pg. 6 Utilities CIP Revenue Projection vs Expenditure Projection

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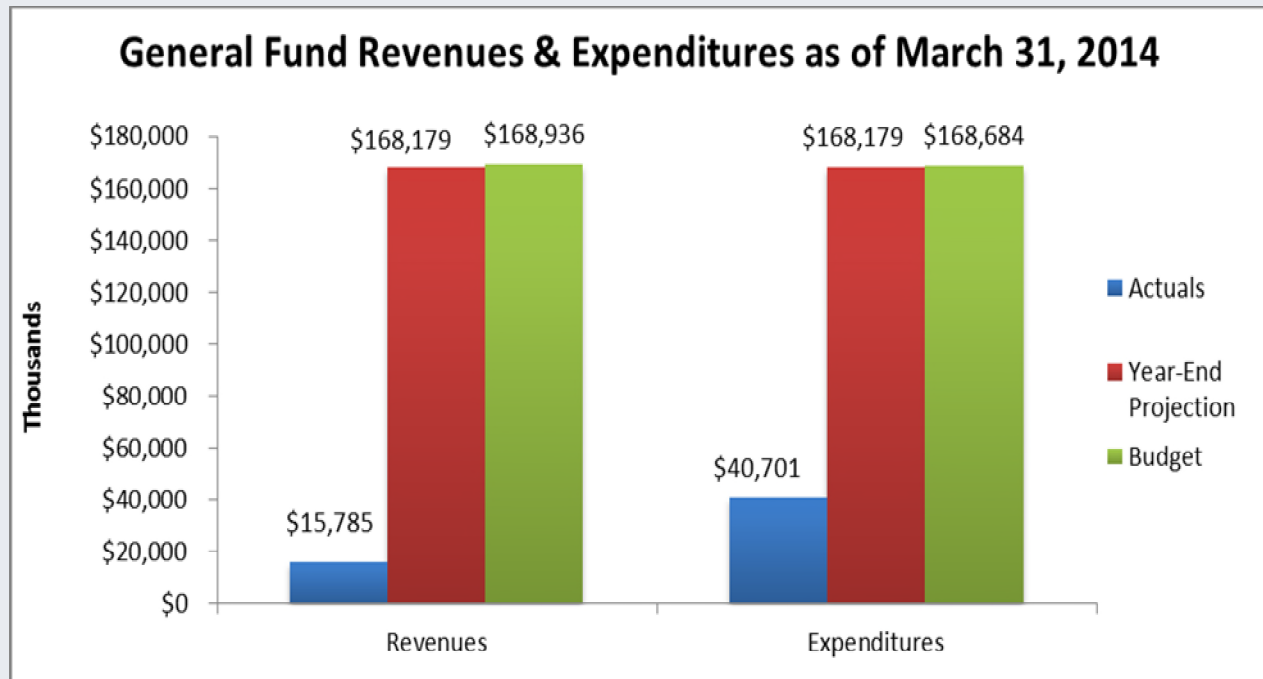
Legend:

- + Positive variance or negative variance < 1%
- o Negative variance of 1-4%
- Negative variance of > 4%

Regional Economy

The Puget Sound Region continues to experience job growth and an economic recovery higher than the nation as a whole. Unemployment has steadily declined and is expected to continue this pace through 2014. There has been much discussion regarding the recent increase to \$15 per hour minimum wage in Seatac, and the recent decision for an increase of this magnitude in the City of Seattle by 2017. Affects of this impact to jobs and wages may be seen in neighboring cities and the county as decisions are finalized.

GENERAL FUND PERFORMANCE



NOTE: The above graph illustrates the difference between year-to-date revenue collections and expenditures through March, current year-end estimates, and adopted budget. Due to the time lag between earning and receiving some major taxes, year-to-date actuals are less than actual first quarter activities. Expenditures are based on actual activities performed during the first quarter.

Revenue

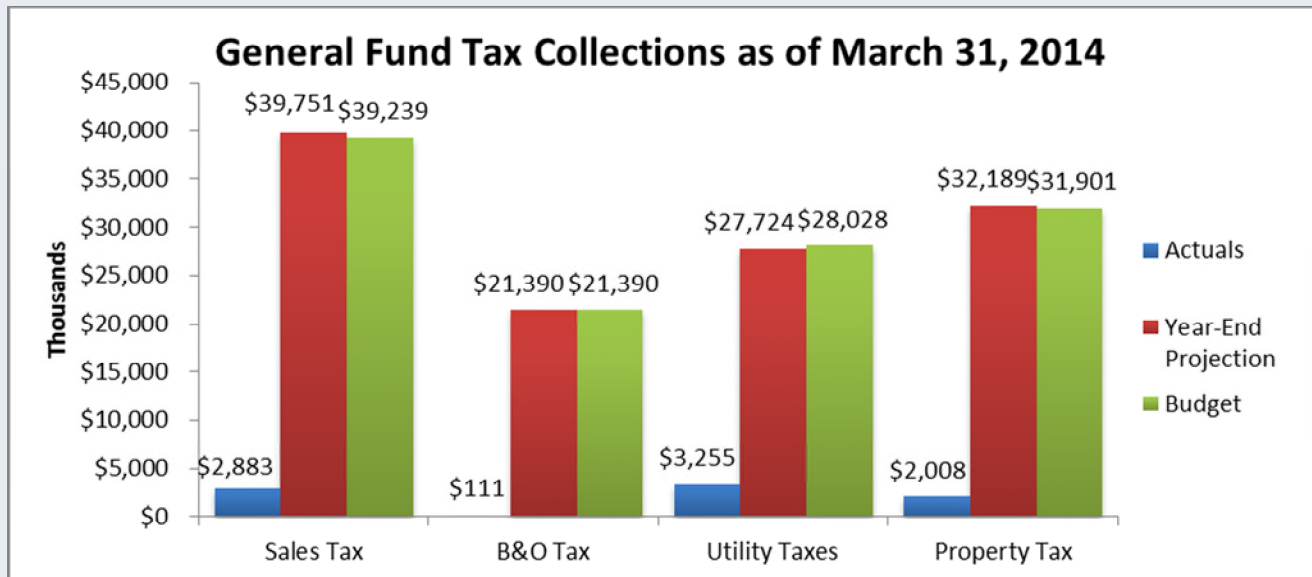
Revenues are tracking slightly below budget primarily due to reduced electric utility tax revenues. Sales tax is projected to be slightly above budget and Business & Occupation tax is tracking at budget due to one time corporate purchases. This projection assumes a .6% over collection of revenues which is included in the adopted budget and historically has been met.

Expenditures

Projected expenditures are tracking closely to budget.

Early year-end expenditure projections are tracking slightly over revenues. The Budget Office is closely watching spending and revenue collections as the economy continues to recover. These projections include department's 1% under budget assumption which historically the departments have met.

GENERAL FUND PERFORMANCE



NOTE: The above graph illustrates the difference between year-to-date collections through March, current year-end estimates, and adopted budget. Due to the time lag between earning and receiving some major tax collections, year-to-date actuals are less than actual first quarter activities. Additionally, year-end projections are based on the limited information available to date. Projections, which are based on economic trends and projections as well as historical collections, will be updated as more information becomes available.

Tax Revenues

At this point, year-end tax revenue projections are on slightly above budget. Projections will be updated as additional information is received.

Sales Tax:

Sales tax is projected to be slightly above budget due to one time purchases.

Business and Occupation Tax (B&O Tax):

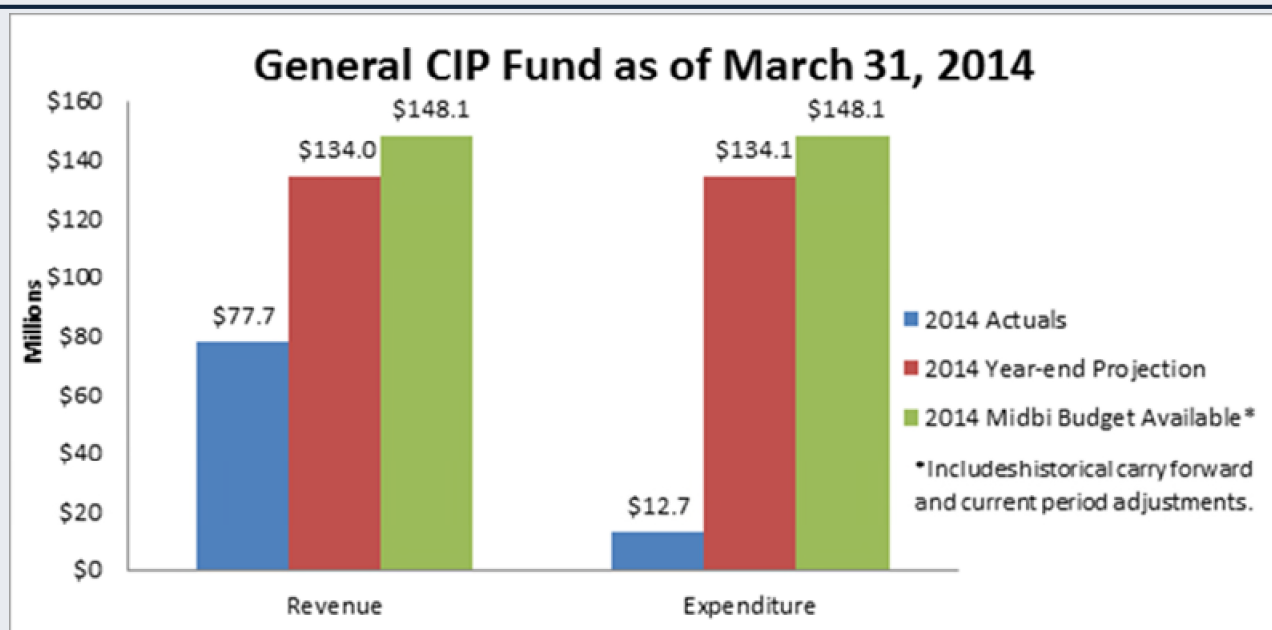
B&O tax is projected to be at budget and is collected several months in arrears.

Utility Taxes:

Electric tax collections are projected to be slightly under budget and now what was the Cable Franchise Fund in 2013, is now reported in the General Fund.

Property Tax. Property tax is determined based on the assessed value of properties and the tax rate levied within Bellevue. This tax is not as volatile as sales and B&O tax and is projected to be slightly above budget.

GENERAL CIP PERFORMANCE



NOTE: The above graph illustrates the difference between year-to-date resource collections and expenditures through March, current estimates, and available budget. Due to the time lag between earning and receiving some major tax collections, year-to-date actuals are less than actual first quarter activities. Expenditures are based on actual activities performed during the first quarter.

Resources

Major CIP resource collections are projected to be in line with the Forecast. Revenues are projected to be \$134 million, with collections of sales and B&O taxes projected to be at budget by year end (see General Fund comments). Real estate excise tax (REET) collections are projected to come in as forecasted; however, we are monitoring this revenue stream particularly closely, as the real estate activity has recently returned to pre-recession levels. Inter-governmental revenues (i.e., grants and contributions from other jurisdictions), which are primarily collected on a reimbursement basis, are projected to be at budget as many major public works projects continue to progress (i.e., NE 4th and 120th). Further, miscellaneous revenues, which includes private donations, are keeping pace with associated project schedules, such as the Bellevue Botanical Garden Projects and the Hidden Valley Sports Field Improvements.

Cash Flow Borrowing

Currently, no additional cash flow borrowing is anticipated by year end; current projections indicate that resources will be sufficient to support projected expenditures in 2014.

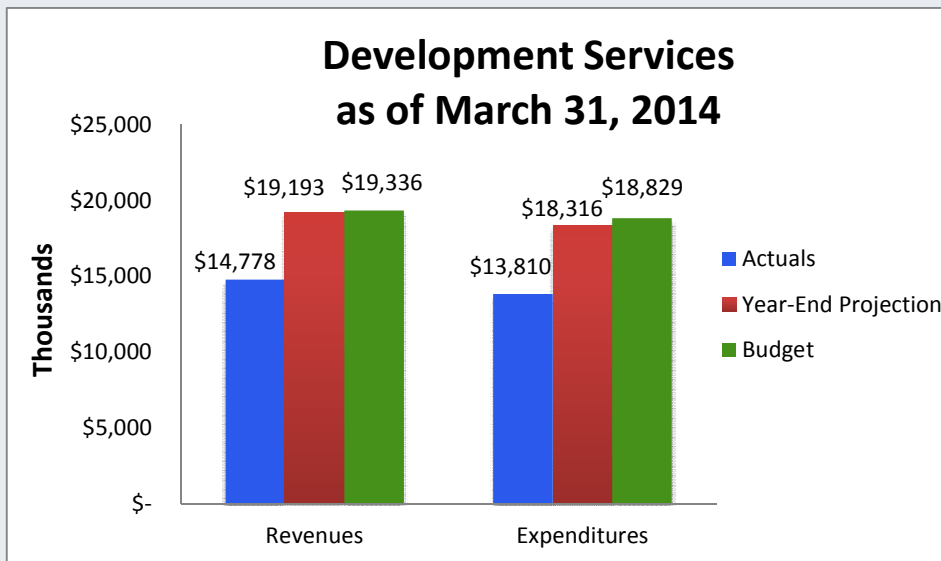
Expenditures

CIP expenditures are projected to be \$134.1 million at year end largely due to continued progress on large scale transportation projections, including NE 4th Street and NE 120th Street, and the completion of priority Parks & Community Services projects (e.g., Bellevue Youth Theatre, Bellevue Botanical Garden). In addition, throughout 2014 the City will continue to acquire properties in support of the East Link MOU commitment.

DEVELOPMENT SERVICES PERFORMANCE



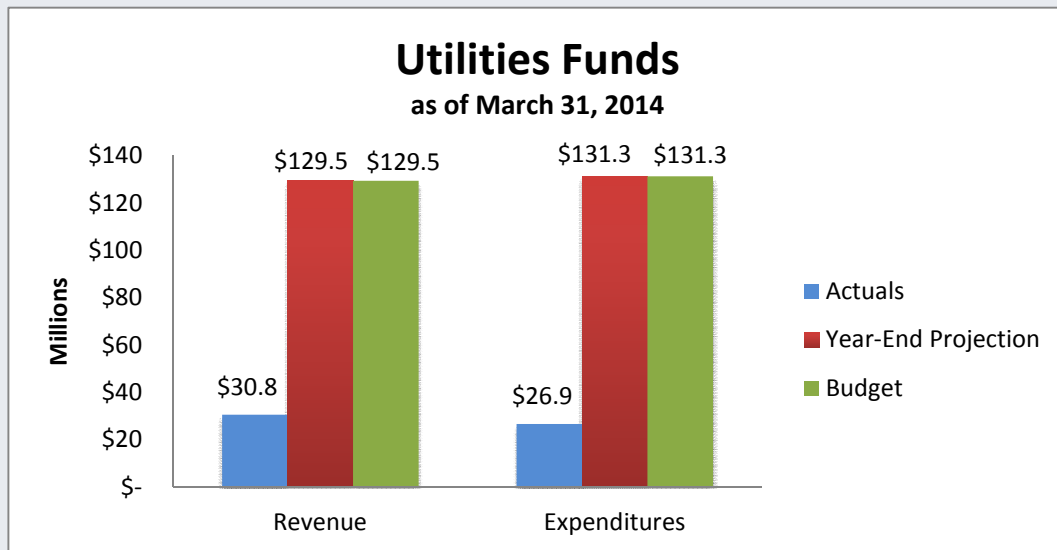
Bellevue Square Expansion—701 Bellevue Way



Development Services revenue collections are above anticipated levels in Q1, largely due to applications for major projects. Economic growth continues to improve as development permit applications increase in valuation size and scope. Development permit activity has increased over 2013 levels by 8% and is anticipated

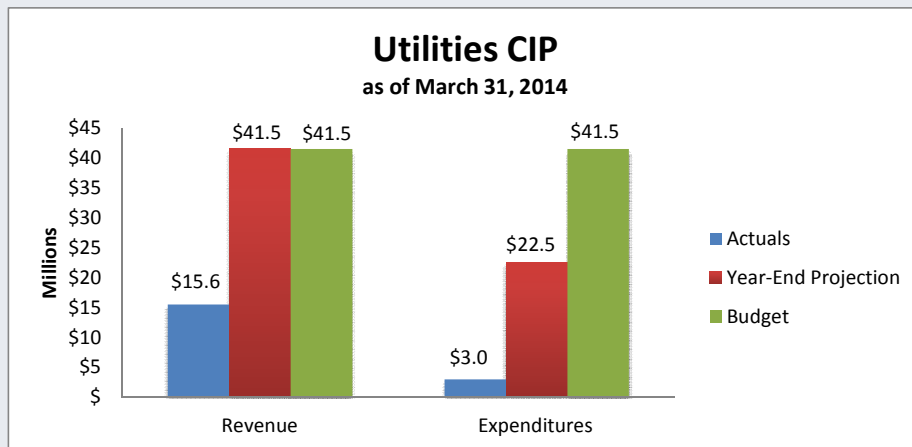
to grow steadily through yearend. Eastlink permit activity is anticipated to be a driver of workload the latter part of the year. Development Services year end expenditure projection reflects expenditure savings realized mainly through position vacancies and other maintenance and operation savings.

UTILITIES OPERATING FUNDS



Utility operating revenues and expenditures (exclusive of reserves) are expected to be at budget by year end.

UTILITIES CIP



Utility CIP revenues are projected to be at budget by year end (the budget above is presented net of reserves). Expenditures are expected to be under budget by about \$19.0 million due primarily to delays to accommodate coordination with other projects, to re-

scope projects to attract more favorable bid pricing, and project delays due to shortage of staff resources. The majority of the expenditure variance between projection and budget will be carried forward to 2015.